

Executive Summary

The Four Pillars of the New Retirement: “What a Difference a Year Makes”

Last year, Edward Jones partnered with Age Wave on a landmark study, *The Four Pillars of the New Retirement*. We introduced a new, comprehensive framework to help people live well to and through retirement by considering both the challenges and opportunities within four massively important, interconnected pillars: health, family, purpose and finances.

This year we’ve been tracking how the pandemic has disrupted our lives like never before, how Americans are faring across the four pillars, and what’s next in the “new retirement.” The newest findings show how Americans have been faring throughout the pandemic across each of the four pillars, highlight the importance of purpose in retirement, and explore the most vital aspects of comprehensive retirement planning. While this pandemic has touched us all, our findings remind us that each individual and family has been uniquely affected.



“Over the past year, we have surveyed over 11,000 Americans to understand their hopes and fears and their dreams for a secure retirement. These are real people. They’re our friends and neighbors, our clients and investors. Their purpose is what motivates the 49,000 associates at Edward Jones every day — and what strengthens ours to improve the lives of our clients and colleagues, and, together, better our communities and society.”

- Penny Pennington, Managing Partner, Edward Jones

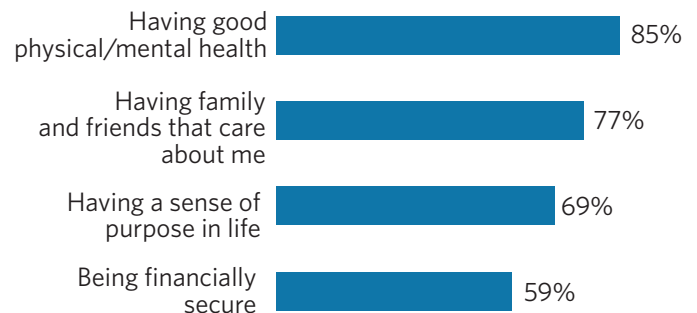


Living Well in the New Retirement

- Retirement is being entirely transformed by a number of powerful converging forces: the steady rise of life expectancy, the aging of the massive Boomer generation, growing health and wealth inequities across racial groups and by gender, an alarming absence of financial preparation by Americans, and the historic COVID-19 pandemic effect.
- Retirees today view retirement as a whole new chapter in life, and they describe it in terms of *freedom from* the stresses of work and raising children, and *freedom to* live life far more flexibly on their own terms.
- The four pillars are inextricably interconnected and enormously important, each playing an essential role when it comes to optimal well-being in retirement (Fig 1).

Figure 1

The majority of retirees say all four pillars are important to optimal well-being



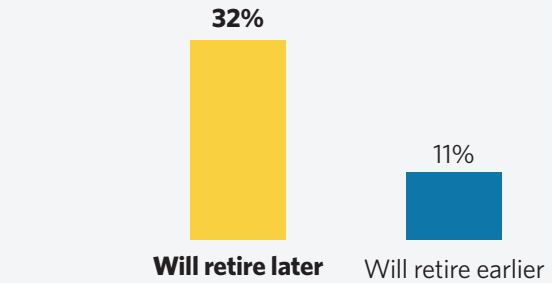
Base: U.S. retirees

The Pandemic Has Reshaped Retirement...and Our Lives

- COVID-19 altered retirement timing for 69 million Americans. A third of Americans planning to retire think they will now retire later due to the pandemic, mostly for financial reasons (Fig 2).
- Financial wake-up call: Most Americans (70%) say the pandemic has caused them to pay more attention to their long-term finances.
- Some silver linings emerged from the pandemic. 76% of Americans credit it with causing them to refocus on what's most important in life. Retirees feel even more optimistic than other Americans and say they feel more compassion and empathy for those who are struggling.

Figure 2

COVID-19 impact on retirement timing



Base: U.S. adults planning to retire

The Four Pillars of the New Retirement

Health

- In the U.S. our healthspans don't match our lifespans, 80% of Americans age 65+ have a chronic condition¹ and 42% live with a disability.²
- Healthcare and long-term care costs continue to be the single greatest financial worry in retirement among retirees. Pre-retirees are even more worried (Fig 3-4).
- Their worries are warranted: The average couple will need to save \$456,000 just to cover out-of-pocket health and LTC expenses in retirement.³

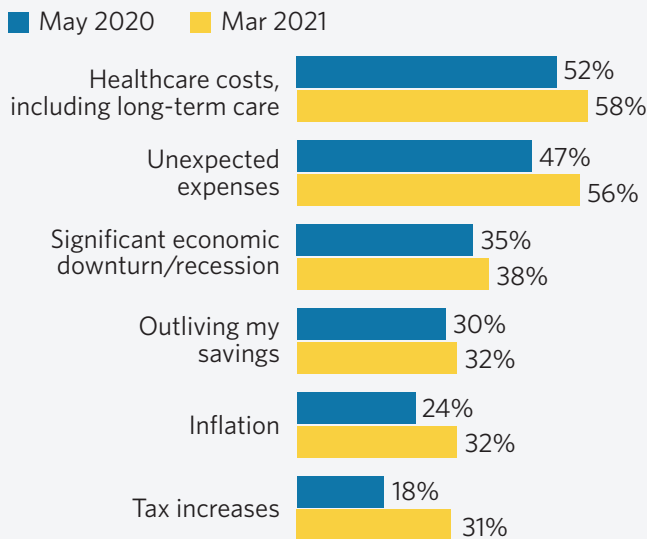
- Compared to the other pillars, mental health has continued to be the most negatively impacted by the pandemic, particularly for Gen Z.
- Even during the pandemic, Alzheimer's disease, not COVID-19, has remained the health condition most feared by retirees.

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Greatest financial worries regarding retirement

Figure 3

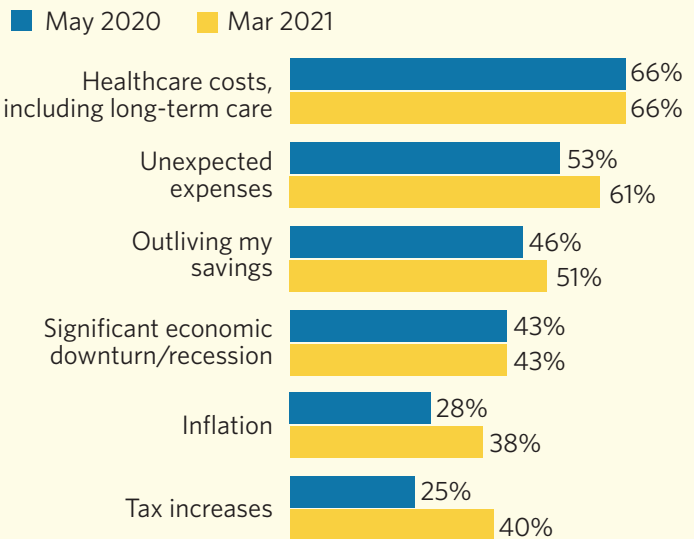
Retirees



Base: U.S. retirees

Figure 4

Pre-retirees



Base: U.S. pre-retirees, age 50+ and planning to retire

85 million Americans gave or loaned money to a family member or friend during the pandemic.

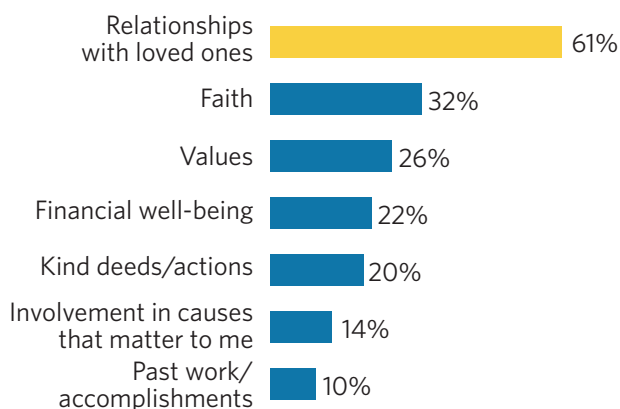
Family

- Family has proven to be the greatest source of comfort and purpose for many Americans throughout the pandemic. Friendship has also taken on an even more important role.
- Not all Americans benefited from strong family and friendship ties. One in four adults age 65+ is socially isolated⁴ and that number grew during the pandemic.⁵
- Retirees report that the most important contributor to their identity in retirement is not their past career accomplishments or wealth; it's their relationships with loved ones (Fig 5).
- Generational generosity: 85 million Americans (34%) have loaned or given money to a family member or friend impacted by the pandemic. Gen Z, Millennial, Hispanic and Black Americans were particularly generous.



Figure 5

Most important contributor to identity in retirement



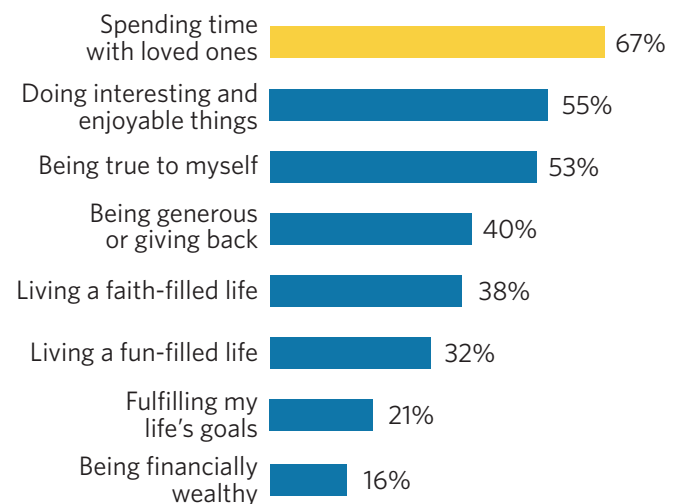
Base: U.S. retirees; select two

Purpose

- The pandemic has caused many to spend their time in more purposeful and meaningful ways; 32% of Americans say they now have "more clarity for how they want to live their life."
- Nearly all retirees (92%) say having purpose is key to a successful retirement and their greatest source of purpose comes from spending time with loved ones (Fig 6).

Figure 6

Retirees greatest sources of purpose, meaning and fulfillment



Base: U.S. retirees

- 93% of retirees say it's important to feel useful in retirement and 87% say that feeling useful helps them to feel youthful.
- Nearly all Americans (86%) and retirees (89%) wish there were more ways for retirees to use their talents/knowledge to benefit their communities and society.
- There's a huge untapped force for social good: Retirees would ideally like to volunteer 3.3 hours per week, 4x their current volunteer rate. Collectively this adds up to 238 billion hours over the next two decades with a value of \$6.8 trillion.⁶

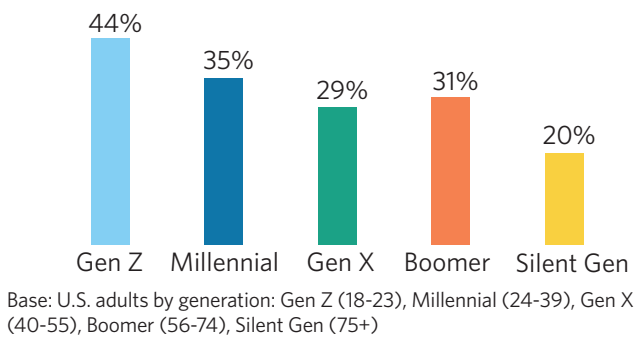
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Finances

- When asked to grade themselves on how they're doing in each of the pillars, Americans' finance grades were the lowest of the pillars. Finance grades plummeted further last May, but a slight rebound is now underway, particularly among men.
- The finances of younger generations, women, and lower wage workers were hit hardest during the pandemic. Retirees have been more financially stable due to safety nets, such as Social Security, Medicare, savings, home ownership and investments (Fig 7).

Figure 7

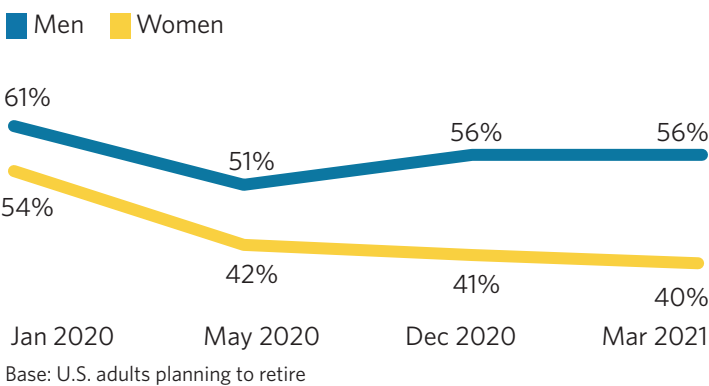
Experienced a negative impact on financial security due to COVID-19



- There's a widening retirement savings gender gap: Working women have felt the brunt of the pandemic's economic impact. Their retirement savings confidence remains low, while men's has rebounded (Fig 8).

Figure 8

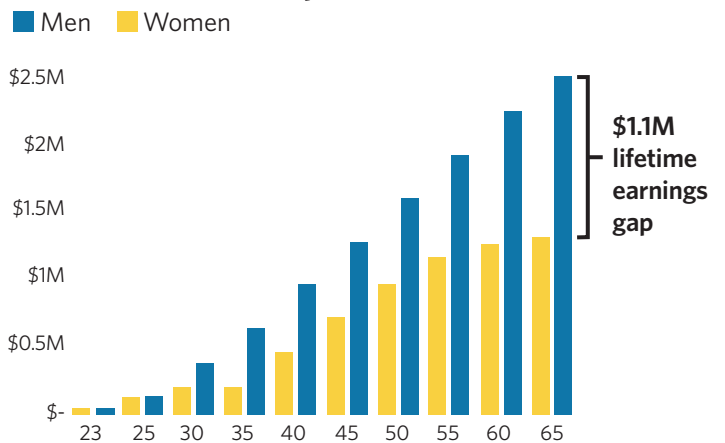
Confidence about retirement savings



- Women require more money to fund their longer retirements, but face greater barriers to save, including pay inequity and more time spent out of the workforce for caregiving to children, aging family members, and even their spouse/partner.
- Because of the gender pay gap, the average woman who remains fully employed from ages 23-65 will make \$469,000 less than the average man.⁵ Meanwhile, women experience more career interruptions due to caregiving, which can add up to more than a \$1 million lifetime earnings gap compared to men (Fig 9).
- For women of color, the gender pay gap alone translates in to a \$700,000 lifetime earnings gap for Black women and \$850,000 for Hispanic women.

Figure 9

Lifetime earnings gender gap for women with career interruptions



Assumptions: Man and woman both start working full-time at age 23. The woman exits the workforce from ages 28-35 and 55-58 for caregiving responsibilities. The woman retires at age 62 and the man retires at age 65. Source: Age Wave calculation based on Bureau of Labor Statistics, median usual weekly earnings of full-time wage and salary workers, annual averages, 2019

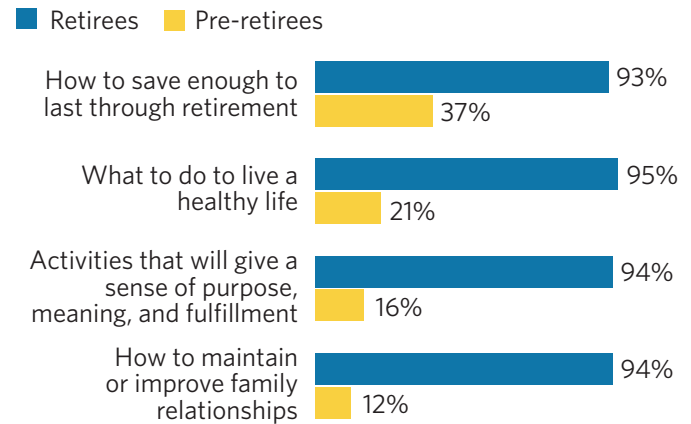
Working women have felt the brunt of the pandemic's economic impact, further widening the retirement savings gender gap.

Planning for the Four Pillars of the New Retirement

- Planning for retirement is about more than just saving money; to live well in retirement, planning must be comprehensive and holistic, focusing on all four pillars.
- The majority of retirees regret not having done a better job of planning for the financial (61%) and non-financial (54%) aspects of retirement.
- More than three-quarters of pre-retirees (77%) are looking for resources that go beyond finances to help them plan for retirement.
- Retirement planning disconnect: While *most retirees* say it's important to plan for all four pillars of the new retirement, *most pre-retirees* aren't thinking very much about any of them (Fig 10).

Figure 10

The retirement planning disconnect: what retirees say is important vs. what pre-retirees have thought a great deal about



Base: U.S. retirees and pre-retirees, age 50+ and planning to retire

77% of those planning to retire are looking for resources that go beyond finances to help them plan for retirement.

Survey Methodology

The latest nationally representative online survey was conducted by The Harris Poll from March 22-24, 2021, among 2,042 U.S. adults ages 18 and older. Results were weighted where necessary to bring them into line with their actual proportions in the population. The December survey was fielded from December 1-3, 2020, among 2,054 U.S. adults ages 18+, and the original survey was fielded from May 21-June 4, 2020, among 3,000 U.S. adults ages 18+.

¹ "The Top 10 Most Common Chronic Conditions in Older Adults." National Coalition on Aging, 23 Apr. 2021

² Okoro, Catherine, et al. Prevalence of Disabilities and Health Care Access by Disability Status and Type Among Adults — United States, 2016. MMWR Morb Mortal Wkly Rep, 2018.

³ EBRI. Savings Medicare Beneficiaries Need for Health Expenses in 2019.

Office of the Assistant Secretary for Planning and Evaluation. Long-term services and supports for older Americans: risks and financing research brief. 2021.

⁴ Cudjoe, Thomas K. M. et al. The epidemiology of social isolation: National Health and Aging Trends Study. Journals of Gerontology. Series B Psychological Sciences and Social Sciences 75(1):107-113, 2020.

⁵ Peng, Siyun and Adam R, Roth. Social isolation and loneliness before and during the COVID-19 pandemic: a longitudinal study of US Adults over 50. Journals of Gerontology: Series B, 2021.

⁶ Based on all retirees volunteering an average of 3.3 hours per week from 2020-2040. The estimated number of retirees comes from U.S. Census Bureau population projections coupled with survey data on the percent retired by age group among ages 50+. The value of volunteering comes from Independent Sector, Value of Volunteering, 2021.

Visit edwardjones.com/newretirement to see the full study.